

Rupee remains steady on likely RBI intervention

ANUPREKSHA JAIN
Mumbai, December 30

THE RUPEE REMAINED largely steady on Monday on likely intervention by the Reserve Bank of India (RBI), ending the day at 85.54 against the dollar. Broad-based dollar bids and declining Chinese yuan pressured the local currency, according to forex traders.

Asian currencies traded mostly lower on Monday, while the dollar index gained 0.1% to 108.1. The offshore Chinese yuan was down 0.2% at 7.31, pulled down by rising US bond yields.

The rupee's near-dated volatility expectations also rose on Monday, with the 1-month implied volatility touching a more-than-16-month peak of 3.7%. This came on the back of rising expectations of the RBI loosening its hold on the rupee in the coming year as the currency is at its strongest against peers in at least two decades in trade-weighted terms.

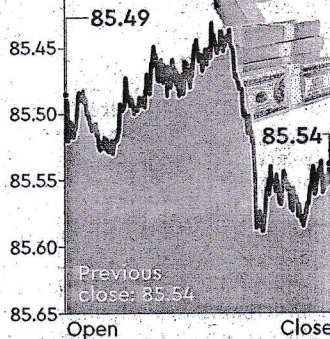
The currency market has become volatile with RBI slowing down its pace of intervention, said forex traders. State-owned banks continued to sell dollars on behalf of the central bank to check any sudden volatility in the market. However, the intervention was not viewed as aggressive. Looking ahead, market participants expect the intervention by RBI to further slow down as continuous interven-

STAYING PUT

Rupee vs dollar

Intra-day, Dec 30

85.40 (inverted scale)



tion has led to dwindling forex reserves and the rupee liquidity coming under strain.

Market participants will have to wait and watch as to how the central bank manages the positions in the coming months. Also, inflows in the equity market are expected after January 15, 2025.

"It is a wait and watch situation for now. Importers need to continue buying the dips while exporters can wait for selling except for near term. Expected range for tomorrow is 85.40/60," said Anil Kumar Bhansali head of treasury and executive director at Finrex Treasury Advisors.